GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	SB0218	**Title:**	Tax credit for employers of members of national guard and reserve
Primary Sponsor:	McGee, Dan	**Status:**	As Introduced

- ☐ Significant Local Gov Impact
- ☐ Needs to be included in HB 2
- ☑ Technical Concerns
- ☐ Included in the Executive Budget
- ☐ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Expenditures:				
General Fund	$2,000	$0	$0	$0
Revenue:				
General Fund	($1,557,900)	($1,557,900)	($1,557,900)	($1,557,900)
Net Impact-General Fund Balance	($1,559,900)	($1,557,900)	($1,557,900)	($1,557,900)

Description of fiscal impact: This legislation would create a new tax credit of $500 for employers who employ a member of the National Guard or ready military reserve. There are additional qualifications that the employee must meet before the employer can take the credit. The estimated reduction in general fund revenue of this credit is $1.558 million per annum. There is a one-time form design cost of $2,000 in the first year the credit can be claimed.

FISCAL ANALYSIS

Assumptions:

1. This legislation would create a new tax credit of $500 per qualified employee for employers who employ a member of the National Guard or ready military reserve.
2. To be a qualified employee, the employee must also have been employed by the taxpayer as of the last day of the tax year and have been employed for at least 9 months during the tax year. The employee must have been employed for an average of at least 20 hours per week. The employee is qualified if the employee would have met the conditions for the credit, but was called to active duty while an employee.
3. If the credit exceeds the taxpayer's liability, it can be carried forward for seven years. Credits claimed by a small business corporation or partnership must be attributed to the shareholder, owners or partners in the same proportion as the income or loss from the firm is attributed.

4. Based on information collected from the Montana National Guard and Montana reservists, the total current number of guardsman and reservists in Montana is 4,946.
5. According to a report by Reserve Affairs, Office of the Secretary of Defense (2004), 59% of reservists work for private employers, 11% are self-employed, and the rest work for public and non-profit employers. Public and nonprofit employers would not be able to claim the credit.
6. For purposes of this fiscal note, it is assumed that Montana members of the ready reserves and National Guard members are employed by sector in the same percentages as found in the 2004 study.
7. Therefore employers could claim credits for 70% of the 4,946 Montana National Guard members or reservists, or 3,462 qualified employee credits. The annual cost of these credits would be $1,731,000.
8. Not all employers may have tax liability sufficient to claim the full credit in the current year. To reflect this limit on the credit, the total amount claimed as a credit against tax liability is reduced by 10% to $1,557,900.
9. The bill is effective upon passage and approval and applies retroactively to tax years beginning after December 31, 2008. Tax year 2009 is the first tax year for which the credit can be claimed. The earliest tax returns will be filed is late in the next numbered fiscal year, FY 2010.
10. Therefore, the estimated reduction to general fund revenue due to this credit is $1,557,900, starting in FY 2010 and continuing through FY 2013.
11. DOR anticipates there will some form design work, estimated to be a one-time cost of $2,000.

	FY 2010 Difference	**FY 2011 Difference**	**FY 2012 Difference**	**FY 2013 Difference**
Fiscal Impact:				
Expenditures:				
Operating Expenses	$2,000	$0	$0	$0
Funding of Expenditures:				
General Fund (01)	$2,000	$0	$0	$0
Revenues:				
General Fund (01)	($1,557,900)	($1,557,900)	($1,557,900)	($1,557,900)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($1,559,900)	($1,557,900)	($1,557,900)	($1,557,900)

Technical Notes:

1. An amendment would be needed to insert the word "qualified" is after "taxpayer's" in Line 18, page 1 of the draft bill, in order to coincide with Section 2.

Sponsor's Initials *Date* *Budget Director's Initials* *Date*